97-84018-24

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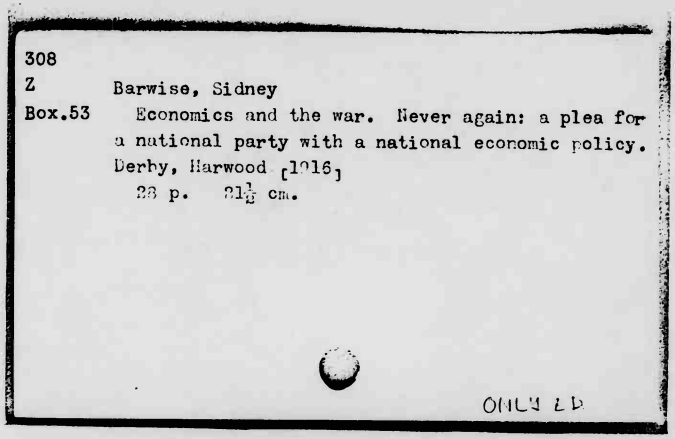

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FEB 3 1930

ECONOMICS AND THE WAR

NEVER AGAIN

A Plea for a
NATIONAL PARTY
with a
NATIONAL ECONOMIC POLICY

BY

SIDNEY BARWISE

DERBY
J. HARWOOD, DERWENT BUILDINGS, DERWENT STREET.

PRICE SIXPENCE

INTRODUCTION

SINCE the articles reproduced have appeared in print, a section of the Press and the so-called Union of Democratic Control have started a campaign in favour of resuming our old relations with Germany after the war. Will these blind leaders of the blind never learn? Are we to still keep Krupp's provided with skilled workers, by purchasing from them our railway-carriage tyres? Have they not yet read their Treitschke? Do they not know that the German people demand submarine murders?—and not merely condone, but approve, the crimes of which their military machine is guilty? Is it to count nothing that they have, to quote his Majesty, "Transgressed the Laws of Nations and changed the ordinance that binds civilised Europe together"?

As soon as peace is signed the Huns will endeavour to obtain by "peaceful penetration," by financial and political means what our Allies and our sailors and soldiers have prevented them taking by force and terrorising. The German Army is only one wing of German organisation. Their priests, their Press, and their professors are all instruments of their "All Highest." Hatred of England is taught in their schools and preached in their pulpits, and the signing of peace will only end the open war of the body. The more dangerous, more subtle and underhand war will then begin. We have read of what Von Papen did in New York; M. Wasselitsky has—or should have—opened our eyes to what they have done in Petrograd. They are already at work with their agents in this country, posing as disinterested rich neutrals or naturalised Englishmen, and paying for a campaign "not to humiliate Germany."

Treitschke gives the rules of what he calls "latent war"

which is to be fought untiringly with a smile on the face and soft words from the lips. "We shall do honour to our name, we are not called the 'deceptive people' for nothing" (Nietzsche). "My heart is set upon peace; falsehood and prevarication are alien to my nature," said the Kaiser to the interviewer of the *Telegraph* when trying to get Lord Tweedmouth to reduce his Naval Estimates.

The working men of the country are staunch. "Never Again" is their motto. The money-grabbers must have their wings clipped, and unless the Government at once declares itself against free imports from Germany and in favour of a new commercial policy with a view to the economic defence of the Empire, mass meetings must be organised and they must be shown that what we have suffered in the past we will tolerate *Never Again*.

SIDNEY BARWISE.

High Croft, Duffield,
May 5, 1916.

ECONOMICS AND THE WAR.

Section I.—The Past.

To the End of the Eighteenth Century.

England Adopts the National System. America Follows Suit.

IN view of the resolution passed unanimously at the recent meeting of the Associated Chambers of Commerce, a brief review of our fiscal history, in the hope of finding a sure foundation for our future policy, is not out of place.

The terms of the resolution bear a striking resemblance to the words of Alexander Hamilton voicing the stress felt by America during the War of Independence: "*Every nation . . ought to endeavour to possess within itself all the essentials of national supply.*" (Alexander Hamilton, 1790.) "*The strength and the safety of the Empire lie in ability to produce what it requires from its own soil and factories.*" (Chambers of Commerce of the United Kingdom, 1916.)

The old controversy between Free Traders and Protectionists does not interest us to-day—we all now recognise that national security must come before the pursuit of wealth. At any time such discussion was not germane; for we have never had free trade, but only free imports; while our Protectionist rivals have always had free exchange in such commodities as suited them.

To review fiscal history it is of little use to look earlier than the thirteenth century. The power of the German Emperors was exhausted in their attempts to force dominion over Italy, and for the protection of the commerce of Rhine towns a league was formed in 1254,* the parent of the

* *The Strength of Nations*, J. W. Welsford, p. 58.

Hanseatic League. This League for more than two hundred years had the most powerful navy in Europe. It made peace and war, chose and deposed kings. The League had exclusive power of trading in the Baltic. The Danes more than once tried to free themselves from it, but by 1364 it had increased to seventy-seven cities, and in six years had reduced Denmark to complete subjection. The Hanse merchants gave us the steelyard and the £1 sterling: they held the keys of one of the gates of the City of London, and just as to-day German financiers have acquired a secret power which is a danger to a free people, so, by making advances to our kings, they secured free imports for themselves into England while other foreigners paid duties.*

There were Englishmen who saw it would be to the advantage of this country that it should cease merely producing wool for foreigners to make into fabrics, to be bought back by us at enhanced prices;† and Henry VII introduced Flemish weavers, gave a charter to the Merchant Adventurers, and made an alliance with Denmark. Henry VIII, the first English monarch to grasp the importance of sea-power, built up a navy which had become so strong when Elizabeth came to the throne that she abolished all privileges of the Hanseatic League,‡ and turned the German merchants out of England. List comments that our getting rid of this foreign incubus was because Elizabeth had departed from the policy of laisser-faire.

Elizabeth constantly sought advice from *men of affairs* in framing her commercial policy. For instance, in 1558 she obtained a report from Sir Thomas Gresham, mercer, full of straight talk and sound advice.§ We find reports on "Why bullion is exported," on foreign exchanges, all leading up to an Act passed in 1562 for "avoiding diverse foreign wares made by handicraftsmen beyond the seas." The preamble of the Act lays down, "Whereas certain

* *English Economic Documents*, p. 192; *The Germans in England*, Colvin, p. 26.

† *The National System of Political Economy*, List, translated by S. S. Lloyd, p. 14.

‡ List, p. 17. § *English Economic Documents*, p. 416.

artificers"—which are specified—"are not only less occupied, and thereby utterly impoverished, the youth not trained in the said sciences and exercises, and thereby the said faculties and the exquisite knowledge thereof, is like in short time within this Realm to decay, and other countries be notably increased," etc. . . "No such goods are allowed to come into the Realm on pain of forfeiture."

From the time of the Tudors onwards there was watchful State supervision, and duties were relaxed or increased to meet the necessities of each case. There was no attempt to draw up any cast-iron policy. The procedure was not the result of any abstract theory, but was adopted from force of circumstances to meet special cases.

The next most important fiscal step was adopted by Cromwell in his Navigation Act. Protection for English shipping had begun at the end of the fourteenth century. The Stuarts had still further strengthened the navy provided by Henry VIII and Elizabeth, and Cromwell was in such a strong position that in his Navigation Act, 1651, Parliament enacted that "No goods or commodities whatever of the growth, production, or manufacture of Asia, Africa, or America, or any part thereof, shall be imported into this Commonwealth of England, or into Ireland, or any other land to the Commonwealth belonging, in any other ship, or ships, but only in those that do truly and without fraud belong only to the people of this Commonwealth." The Act was extended in 1660. It was re-enacted when the Stuarts came back: it ruined the Dutch sea-power, built up our carrying trade and our supremacy at sea, and remained in force until the nineteenth century.

The Navigation Act is the beginning of the mercantile or old Colonial system. The object was to secure the rapidly growing custom of the Colonies to the English manufacturer, and laws were passed to prevent Colonial manufactures being established. Unfortunately no one saw that this prevented the full development of the Colonies. England insisted upon a monopoly for her manufacturers in the Colonial market, and gave the Colonies a practical

monopoly for their staples in the home country. Some of the American colonists had visions of the possibilities of the country they had spent their lives in developing, and objected to "taxation without representation." The war against the French Canadians had created a strong feeling that the American colonists had not borne their fair share in the cost of driving out the French, and that this justified us in taxing them. To this they objected. The King was of German mind, and regarded the colonists as rebels: he introduced repressive legislation, stopped them electing their own councils, and nominated the councils himself. To cut short this miserable story, the colonists revolted and succeeded in gaining complete independence.

While this struggle was going on, the so-called science of Political Economy was founded by Adam Smith. His *Wealth of Nations* was published in 1776, the same year as the Declaration of Independence. In 1764 Adam Smith was Professor of Moral Philosophy in the University of Glasgow, which post he resigned to act as "bear leader" to the young Duke of Buccleuch. When in Paris he made the acquaintance of the encyclopædist Quesnai, and we can trace the fiscal policy of this country for the last seventy years to this meeting.

Quesnai was a French physician, who purchased the reversion of the office of Physician to the King, and so became installed in the Palace of Versailles, occupying apartments next to those of Madame de Pompadour, under whose patronage his scheme was launched. He impressed Louis XV as a great thinker. Louis ennobled him, and gave him as a motto, "Propter Excogitationem Mentis" (on account of the workings of his mind).* Pitt was acquainted with the fact that the French Encyclopædists had the King in the hollow of their hands. He knew that coal was rapidly superseding water and wind as a motive power, and that it was only costing 9s. a ton in Manchester, while the price in Rouen was £2. Now was the time that England was at economic advantage over her neighbour, and he

* Welsford, *Strength of Nations*, p. 175.

signed a Free Trade treaty with France in 1786. In 1786 the French nation was prosperous: "Industry and commerce had thriven since the Peace of Versailles, and comfort and luxury were spreading."* Three years later France was starving: six years later the guillotine was at work, and "the reign of the Free Traders had turned into the Reign of Terror" (Welsford).

We are fortunately in a position to know the conditions in France from the critical observations as an eye-witness of an English traveller, Arthur Young. He writes: "The rivalry of English fabrics was so successful that confusion followed in all parts of the country. The consumption of national fabrics fell 75 per cent.; the unsettled state of things, the prospect of civil war, suggested to every man the necessity of hoarding. The inevitable consequence was the turning out of employment enormous numbers of workmen." In Normandy alone Taine records that forty thousand workmen were out of work. In many parishes one-quarter of the population were begging. The unemployed flocked in thousands into Paris. The clerks who collected the octroi reported the advent of a "frightful number of poorly clad men of sinister aspect." The taking of the Bastille was not the rise of the peasants against the feudal system, but of unemployed workmen who had been sacrificed to the abstract theories of the economists.

Adam Smith's Political Economy was based on theoretical considerations only—it was on the same level as metaphysics. The conclusions arrived at were from abstract reasoning dealing with a theoretical entity, "economic man," who was assumed to be actuated by one motive only—gain. Everything else was left out of consideration—even affection and love of fatherland.

The Free Trade position was:

(1) That there should be no obstacles to the production of wealth, no Government interference with unrestricted individual desires; that under these circumstances each country would best develop its natural resources as each

* *Cambridge Modern History*, vol. viii, p. 99.

individual could look after himself; and the nation was but an aggregate of individuals.

(2) That competition led to commercial keenness, improved methods of manufacture, and economy in production and distribution.

In spite of being founded on the assumption that "economic man" was merely actuated by greed, by dragging in the word "Nature," and assuming that "Nature" is always beneficent instead of "red in tooth and claw," the Free Trade hierarchy laboriously built up the faith that it was almost immoral to interfere.*

Adam Smith himself maintained that "the rich in gratifying their own vain and insatiable desires," are "led by an invisible hand and, without intending it, without knowing it, advance the interest of Society." The very superiority, the simplicity of the creed (of each for himself, and the devil take the hindermost), appealed to the strong and rich, and they have been lavish in their gold to support it.†

While the adoption of Free Trade by France threw thousands out of employment and hurried on the Revolution, the newly constituted country of the United States of America had to think out a policy for herself.

It was fortunate for America that she had in Alexander Hamilton, the First Secretary of the Treasury, a man of exceptional talent, who had, by force of circumstances, received *a practical business training* in his youth.‡ His biographer tells us that he carefully studied Adam Smith's *Wealth of Nations*, and had written a commentary on it. At the time he drew up his report on "Manufactures" he was thirty-two years of age. He writes: "Not only the

* The Factory Bill of 1843 "strove to set aside the great and Natural laws of Society." So wrote Miss Martineau in 1850.

† £10,000 was presented to the Chairman of the Anti-Corn Law League and between £75,000 and £80,000 to Mr. Cobden. Morley, p. 411. £250,000 was spent in purchasing "forty-shilling qualifications." Morley, p. 306. At one meeting at Manchester £60.000 was subscribed in an hour and a half. *Acland's English Political History.*

‡ *Alexander Hamilton*, by F. S. Oliver.

wealth, but the independence and security of a country appear to be materially connected with the prosperity of manufactures. Every nation, with a view to those great objects, ought to endeavour to possess within itself all the essentials of national supply. These comprise the means of subsistence, habitation, clothing, and defence." "The possession of these is necessary to the perfection of the body politic; to the safety as well as to the welfare of the society. The want of either is the want of an important organ of political life and motion; and in the various crises which await a State, it must severely feel the effects of any such deficiency. The extreme embarrassments of the United States during the late war, from an incapacity of supplying themselves, are still matter of keen recollection: a future war might be expected again to exemplify the mischiefs and dangers of a situation to which that incapacity is still, in too great a degree, applicable, unless changed by timely and vigorous exertion. To effect this change, as fast as shall be prudent, merits all the attention and all the zeal of our public councils; it is the next great work to be accomplished."

In 1791 Hamilton presented to Congress his report on the means of developing industries and recommended:*

(1) Protective duties, or duties on foreign articles which are rivals of domestic ones.

(2) Prohibition of rival articles or duties equivalent to prohibition.

(3) Prohibition of exportation of materials which others require for completing manufactures which will enter into competition.

(4) Drawbacks of the duties which are imposed on materials of manufactures.

(5) The encouragement of new inventions by suitable laws (e.g. Patent Laws).

It will be seen that the essential difference between Alexander Hamilton's philosophy and Adam Smith's is that Hamilton was trying to build up a self-sufficient nation, while Adam Smith did not look at economics from a

* Article "Protection," *Ency. Brit.*, vol. xxxii, 1902 edition.

national point of view at all, but merely from the point of view of the production of wealth. He simply laid down the truism that, given no restraints on trade, individuals would produce that which they could produce cheapest. Whether it would be a good thing for humanity for one nation to develop into a nation of coalminers, another nation all wine-producers, is not worth pursuing, because the idea is a theoretic impossibility, in view of patent laws, trusts, Government subsidies, military needs, and human ambitions which count for more than material gain.

It will be seen however that Hamilton, after reviewing the whole question, advocated the same policy for America that the advisers of Queen Elizabeth recommended, and under which England became a Great Power.

There is one lesson that all Englishmen ought to learn from Hamilton's report—a lesson that we have not yet learned, and a lesson which it took Mr. Chamberlain some years at the Colonial Office to learn—namely, that our Colonies, being new countries, require protection for their infant industries, and for them to consent to Free Trade would be to sell their birthright.

The war has compelled us, whatever our abstract principles have been, to follow Alexander Hamilton. If there are "economic men" amongst us who would still trade with the Huns, they must be stopped or penalised by a tariff framed before peace is signed.

Section II.—The Victorian Period to the Present Time.

England gives up the National System and Germany adopts it.

Colonial Preference Movement Started.

After Adam Smith and Alexander Hamilton, Frederick List has exercised the greatest influence in forming the commercial policy of the world. List was exiled from

Germany, and in America became acquainted with Hamilton's writings. He went out imbued with the doctrine of Adam Smith, but saw with his own eyes what Hamilton's scheme was doing for America. In 1827 he wrote a pamphlet on the outlines of American political economy, and he carried back to Germany the idea of a Zollverein. He regarded Protection as a means of *educating* a nation, and admitted that it might involve loss for the moment, as does all money spent on education.

In 1841 List published his *National System of Political Economy.** It was a protest against Adam Smith's cosmopolitan idea. He denied the truth of the parallel between the good of the individual and the good of the State, as the interest of a man is temporary, of a nation continuous. He urged that the immediate private interest of the individual ought to suffer for the highest good of the whole community. The nation's life is continuous and its true wealth is not the quantity of the "exchange values," but, as Ruskin subsequently urged, "the complementary development of its fullest productive capacity." He made a point of agriculture and manufactures being developed side by side, though the interest of the moment was sacrificed for the security of the future.

Applying his ideas to the special case of Germany, he recommended a Customs Union of all German States and the subsidising of a mercantile marine. He carried his imagination forward to a Germany reaching from the North Sea to the Mediterranean. But it was not till after the Franco-Prussian War that effect was given to his recommendations.

Following on List's agitation a series of tariffs were built up; sometimes they were increased and sometimes decreased. It was Prussia that was the most inclined of the German States to Free Trade owing to the influence of the Junkers who exported their corn to England.

While this ferment was acting in Germany, Cobden had started his campaign in England in the interest of the manu-

* *The National System of Political Economy*, Frederick List. Translated by Sampson S. Lloyd.

facturing class. He imagined that while England became a manufacturing nation the rest of the world would be content to pour its raw materials into this country. He thought that England had such a lead in established manufactures that it had no need of Protection,* and that by reducing the cost of living, wages would also be lowered, and this would reduce the selling price of manufactures and so we should keep our lead. As Ricardo put it, "The fall in the price of agricultural produce reduces the wages not only of the labourer employed in cultivating the soil, but also of those employed in commerce and manufacture."†

According to the lights of the early Free Traders everything depended upon cheap production. For this reason they opposed Ashley Cooper's Ten Hours' Bill, which, introduced in 1833, did not become law till 1847. With the same object, but on the pretence of teaching them a trade, children from the age of six were taken in waggon-loads out of the workhouses to Lancashire and Yorkshire to work fifteen hours a day in the mills, the Guardians stipulating that they should be allowed to send one idiot in every twenty.

The Education Bill and the Ten Hours' Bill were opposed because they interfered with individual liberty, added to the cost of production, and, in short, were, in Cobden's words, "Socialistic doctrines," "spurious humanity," "unreasoning philanthropy."

We must remember that the conflict was not "merely a battle about a Customs duty, it was a struggle for political influence between the landed aristocracy and the great industrialists" (Morley), and with their growing wealth the latter were bound to win in the long run, the end coming the sooner owing to bad harvests.

The Corn Laws were repealed in 1846, and by 1849

* This overlooked fresh industries, such as electrical, chemical, etc.

† "The Free Traders want to get the Corn Laws repealed, not for your benefit, but for their own. Cheap bread, they cry, but *they mean low wages.*"—The Chartist Leader, Thomas Cooper, Speech, August 25, 1841.

Cobden had led himself to believe that England was the workshop of the world, and that by having free corn and low cost of production we should continue to supply the world with its manufactures, and other countries would supply us with our food and raw material. The ideal was a universal brotherhood.

> Trade is the golden girdle of the globe;
> Wise to promote whatever end He deems,
> God opens fruitful Nature's various scenes;
> Each climate needs what other climes produce
> And offers something to the general use.
>
> COWPER.

How firmly he believed in this ideal can be seen from a quotation from one of his Manchester speeches, "The Mediterranean is crowded with English ships of war, not to look after your commerce: they can do no good in that way. We have settled that question: *we have repudiated Protection.*" He summed up his beliefs in an oft-quoted letter, "The Colonial system, with all its dazzling appeal to the passions of the people, can never be got rid of except by the indirect power of Free Trade, which will gradually and imperceptibly loose the bonds which united our Colonies to us."

It will be seen how different his ideal is from that of Hamilton and List. Their ideal was a strong self-respecting nation possessing "all essentials of national supply," his aim the production of wealth on the assumption of universal peace. He would have been regarded as mad who at that time had suggested that an intelligent people would during the next forty years voluntarily place themselves under the yoke our ancestors had cast off seven hundred years ago at Runnymede, and make themselves the puppets of a military autocracy resting on "the right Divine of Kings to govern wrong." Here is disillusion. The premises under which we adopted our present fiscal system have gone. Indeed so far from the system helping us towards peace, the Germans have used the open door we gave them for our undoing in every way.

On the grounds of self-preservation we must think of national security before the pursuit of wealth.

When I say national security I include all those privileges our democracy has won for itself, such as a standard living wage, State-regulated hours of labour, recognition of trades unions, hygienic conditions of work and sanitary homes, the insistence on which by the State are all departures from the policy of "laisser-faire," and which cannot be continued in competition with free imported manufactures made under "free" labour, whether German or Asiatic.

It was not till after the Franco-Prussian War and the establishment of German Imperial Government that the German scientific tariff was framed. Bismarck appointed a commission, and it reported on the lines advocated by List. Since 1879 they have gradually raised their tariff walls, allowing those things to come in without a tariff which are not and cannot be produced at home. By State subsidies they have built up a huge mercantile marine, so that the tonnage and the number of ships engaged in the Transatlantic trade is greater than the corresponding British mercantile marine. By taxes on corn they have kept their people on the land and increased enormously their small freeholders* ; by taxes on foreign manufactures they have induced capitalists to put their works in Germany; and by their Patent Laws and State subsidies to industrial chemists they have obtained practically a monopoly of the aniline and synthetic chemical industries. The former was an English industry started by an English chemist, and we have the best raw material in this country. All the most important German discoveries have been made in State-endowed laboratories; among dyes there were malachite green, artificial alizarin, and indigo—on the last it is calculated that £1,000,000 was spent on research before a penny was made. The trade is now a German one, because the State and the manufacturers are, as it were, in partnership and there has been for years past control of unlimited capital. They could afford partly to employ

* In thirteen years 1,500,000 acres were thrown into small holdings. Ashley's *Progress of the German Working Classes*, p. 65.

chemists holding State appointments working for years, on the chance of making a discovery—a condition which is impossible in this country. This State subsidising of manufacturing chemists, together with their Patent Laws and the tariff, has killed the aniline industry in this country. If I discovered a synthetic method of making quinine which came out at 10 per cent. less than natural quinine, and I put my works in this country, I could not supply Germany. If I put my works in Germany owing to our free imports I could supply *both* countries. Does it want any further reason why industries of this nature have been planted in Germany instead of this country?

The Germans have free imports of all materials that can develop trade without hurting any other trade. They therefore buy their raw material as cheap as we do, but when it comes to selling they have a monopoly of their own market and a free market in England. They have a free European market amongst over 110,000,000, while we only have a free market among 46,000,000.

Alexander Hamilton, List, and the framers of modern scientific tariffs insist upon the *nature* of the imports being considered. The Cobdenite contention is simply that the *values* should be considered. The framers of a scientific tariff distinguish between competitive and non-competitive imports: between imports which benefit everyone and injure no one, and those which may benefit the individual at the expense of the State. As a hypothetical case we could easily export enough coal from England to pay for sufficient foreign manufactures to stop anything being made in England. On paper the exports and imports would balance. But if such trade went on in a few years we should cease to be a nation, in spite of theory. Let us examine this a little closer; suppose we export coal to Germany and receive iron in return, the benefit to Germany is unmixed. In our coal they have a better fuel than in their own, they have the raw material for fertilisers for their land, benzol for their motors, toluol for their explosives, coal-tar derivatives for their aniline dyes and synthetic compounds. In the making

of these higher derivatives their people find employment, and by their sale their nation is enriched (six firms pay 20 per cent. on a nominal capital of £8,000,000). We receive iron which reduces the amount produced in this country, so leading to the closing down of ironworks and unemployment.*

From this it is obvious that the *nature* of the imports and exports, not merely their *values*, must be considered. In this contention I invoke the shade of Cobden, whose aim was to get the manufactures we exported paid for by raw materials we imported.

In the 'eighties many industries were being squeezed out by German competition. A Royal Commission was appointed and two Reports were made. The Minority recommended a 10 per cent. duty ad valorem on goods coming from foreign countries which could be obtained from our Colonies: the Colonies to grant preferences to goods coming from England. A wave of good trade came over the world and nothing was done.

In 1887 at Queen Victoria's Jubilee the opportunity of having the Colonial Premiers in this country was taken to confer on the question of Imperial Federation. The Prime Minister of Queensland advocated a Customs Union of the Empire, discriminating against the foreigner. Mr. Hofmeyer, representing Cape Colony, advocated a 2 per cent. duty all round, the proceeds to be devoted to the Imperial defence. Nothing came of either proposal.

In 1890 Canada had been hard hit by the McKinley Tariff, and a Customs Union was proposed with the United States. This was opposed by the Conservative Prime Minister, Sir John Macdonald, was the issue of a General Election, and was rejected by the people of Canada.

In 1895 Mr. Chamberlain went to the Colonial Office. In July of that year he wrote, "I have taken office with two objects—to see whether something cannot be done to bring the self-governing Colonies and ourselves into closer relations, and to attempt the development of the resources of the Crown Colonies, especially to increase our trade with these Colonies." Chamberlain's interview with the representatives of the Colonies at the Diamond Jubilee celebrations in 1897 brought clearly to his mind the impossibility of their making the most of their material resources if they fell in with Free Trade within the Empire.

This was the deadlock out of which the Colonial Conferences were called to find a way in 1902 and 1907. Colonial Preference was offered, but at the Conference in 1911 this solution of the problem was barred and the deadlock remains.

Can we wonder that America with its great German influence again offered Canada preferential treatment in 1911? What long-suffering patience fills the Colonial to lead him for the second time to say "No" to the tempter, though his accepting the offer would be to his immediate material gain.

Here is the living issue—Can we arrange a Customs Union with our Colonies which is acceptable to the English democracy? If we are to have an Empire Commercial Union, while importing Colonial corn and meat free we must have a tax on foreign corn and meat. Chamberlain proposed to reduce the duties on sugar and tea by the amount raised on these other taxes, so that the net result would be the household bills would remain the same.* If this is not acceptable, let us find some other way of falling in with the offer of our brothers across the sea.

Let the money provided by these taxes be earmarked for some service for the benefit of the working classes. The Empire needs men—let the money be spent on maternity benefit for those who are adding to the man-power of the nation or for the provision of meals for necessitous school children.

The Colonial problem was waiting a solution when by a stroke of the pen the German Emperor plunged the world into war. Our dependence on our Colonies and their

* This argument is condensed from Garvin's *Essay on Constructive Economics*, Compatriots' Club Lectures.

* The Hon. Charles Booth reported Chamberlain's proposals "would not affect appreciably the cost of life in England or the burden of taxation upon the poor."

dependence on us has been proved. Our Victorian ideals have been shattered. It remains for us to forget the party politics which hindered us in our childhood, and to follow our destiny.

Section III.—The Future.

Shall we get ready, or Wait and See?

After the War.—The Germans have been preparing for this war for the last forty years. We, more than twelve months after war was declared, started erecting factories for the making of munitions. No doubt the Germans have prepared alternative schemes for dealing with economic problems after the war—(*a*) in case they win, (*b*) in the event of their defeat. We need not consider what they would propose if they win, as in that event we shall have to accept their conditions; but we can rest assured on one point, they will insist upon us retaining our free imports from Germany. They would also insist upon the Colonies giving up the preferences which they have already granted the Mother Country.

It behoves us to think out in advance the policy that we are going to adopt if we win through. The war has thrown our economics into the melting-pot, and to-day Free Traders and Nationalists alike are agreed that, even if it does benefit an individual to deal with Krupp's, he must be stopped in the interests of national security. The steel railway tyres Krupp's have in the past been selling to British railway companies may be regarded as a by-product of the manufacture of cannon. By purchasing them we have been keeping men employed at Krupp's ready to make cannon and shell to be used against us, at the stroke of the Kaiser's pen. All are agreed to-day that *National Security must come before Wealth*, or, as Adam Smith put it in defence of the Navigation Act, "*Defence is greater than Opulence.*"

Before peace is declared not only should the question of

preferential trade within the Empire be settled, but a tariff wall should be erected which discriminates against our enemies while it admits our Allies on more favourable terms than neutrals.

Some months ago the Press beyond the Rhine advocated a Zollverein into which should be drawn not only the existing German Commercial Union which unites Hamburg with Trieste, but also the Scandinavian countries, Holland, Switzerland, and the Balkan States, and already gold is being lavishly spent on an energetic propaganda to prepare public opinion in the neutral countries for this scheme.

The weak spot in the German plan is that her present enemies, in the past have been her best customers. If we win we have it in our hands to say whether we shall continue this, without any "By your leave" to Germany. Our population and that of our Allies amounts to about 320,000,000, while the population of our enemies is 140,000,000,* so that some preferential arrangement between us and our present partners would be of enormous advantage to British capital and the British worker. The formation at once of a Commercial Entente amongst the Allies would do much to damage Germany's credit, and so hit the Huns as our rivals in neutral markets and hasten peace.

Let us return for a moment to first principles. At the present time we are much in the same position that the Americans were in, after the War of Independence, when Alexander Hamilton wrote: "The extreme embarrassments of the United States during the late war from an incapacity of supplying themselves are still matter of keen recollection." Our textile industry has become almost entirely dependent upon Germany for its aniline dyes, an industry which the "beneficence of Nature" intended for an English industry. If the Government simply stated that they were going to put 30 per cent. ad valorem duty on anilines and continue this duty for fifteen years no State subsidy would have been necessary to build up the industry here, the money would have been forthcoming, and when peace was declared the

* This is without counting coloured races.

necessary technical chemists would easily be attracted to this country. "The independence and security of a country is materially connected with the problem of its manufactures. Each nation ought to endeavour to possess all the essentials of national supply" (Hamilton). Under our system of free imports we have become so dependent upon the foreigner that the Home Office has actually issued a circular to doctors asking them to limit the use of certain drugs, which they specify. These are drugs which are in the daily use of every doctor. Many of them are the inventions of French chemists which have been exploited by German chemical syndicates, who, with their Government behind them, take out patents throughout the world and so obtain a practical monopoly. This is only one of the German methods of trade. They have systematically and quietly, under various assumed names, obtained a monopoly of certain metals exported from Australia. Fortunately they have not been able to reach with German gold the Labour Premier of the Australian Commonwealth, who introduced a Bill which has now become an Act annulling all contracts with them. "Unless," says Mr. Hughes, ". . we take precautionary measures now . . we shall, after a season of barren inactivity, be overwhelmed with an inundation of enemy goods, swamping not only our good intentions and the possibility of giving effect to them, but giving to those who have vowed our destruction the fruits of our enterprise and industry."

A preliminary step which it is necessary to take at once, if we are to get ready for a Commercial Entente with our Allies, is the adoption of the decimal system. If we are to have simple commercial arrangements we shall have to adopt the system which the purchasers prefer, not the seller.

Keeping before us the problem that the Empire should possess the essentials of national supply, the first is food—corn, dairy produce, sugar. A recent report has been issued by the German Government on the food supply of the German people, which contains the following passage:

"That we shall come through, we owe to our agriculture under the mighty protection of our rulers, who with clear sight recognised the danger of a one-sided development of Germany into an industrial State."*

It has now been proved that sugar beet can be grown in England and Ireland with as large a tonnage of roots to the acre as on the best land in Germany, and the roots with as high a percentage of sugar. The economic unit of area for the production of beet sugar is about 2,000 acres. Given the assurance of a small protective duty until the infant industry is on its legs, in a few years a doubly lucrative industry could be built up. The factories erected in the country would employ the people in winter; in summer they would work on the land, growing the roots.

With regard to dairy produce, we have recently granted Home Rule to Ireland. If she is to build up the dairy industry on the same lines as Denmark, I know nothing about the Irish people which leads me to think that they can do without the artificial aids which the Dane has found necessary. We have not treated the Irish well in the past: in the future we have got to treat the Irishman better than the foreigner. A large amount of capital will be necessary to develop the dairy industry in Ireland. The easiest way to ensure that the capital is forthcoming is to follow the course which M. Méline found necessary for developing the agricultural resources of France.

France was saved, says Justin McCarthy, by the Méline Tariff of 1892, an Act which Méline calls "one of reparation and justice."† Before the passing of the tariff, France imported 441 million francs' worth of agricultural produce; ten years after she was exporting an excess of 152 million francs' worth, peasant proprietors were increased, and the tide was set back from the town to the land. The result of

* *The Food Supply of the German People, and the English Starving-out Plan.* Dr. Paul Eltzbacher. Translated by the *Lancet*, February 20, 1915.

† *The Return to the Land.* Senator Jules Méline. Translated by Justin McCarthy.

this tariff is that to-day corn is cheaper in France than in England.*

The progressive abandonment of agriculture in England will be seen from the fact that between 1871 and 1901 the importation of cereals increased from 83 millions to 196 millions, or more than double, while the population increased from 31 millions to 41 millions. Senator Méline has written a fascinating report on the result of his agricultural policy. Mr. McCarthy describes it as like the *Arabian Nights*. In it M. Méline refers to the movement which was gaining ground in England for Colonial Federation. It is interesting to note a mistake he made. He believed the scheme was for Great Britain to be the workshop of the Empire while the Colonies were to serve as the harvest fields and orchards. He then goes on to point out the rocks lying ahead of the ship of State that sails such a course. On this very point the Colonial Premiers have clearly expressed themselves: neither Canada, Australia, nor New Zealand will stop their economic development, resigning themselves to dependence upon the Mother Country for their manufactures. They cannot forfeit their birthright for Free Trade within the Empire—but will give preference for preference.

If the Méline Tariff can make France self-supporting, under a scientific agricultural tariff prosperity can be brought to Ireland, the sugar industry can be established, and unemployment lessened. When the agricultural industries are fully developed the food supplies of the world will be increased and our food will become cheaper.

My last word is with corn. If there were a preference given to Colonial corn, this would attract capital for the development of the corn provinces of Canada. We require each year about 200 million bushels; the average Canadian yield of wheat is 19 bushels to the acre. The United States Government, in their report on the commercial relations of the United States with Canada, state that the acreage in

* In December 1915 the price of flour in Paris was 39s. 10d. per 280 lbs., and in London 44s. 2d., while the duty was 11 francs per 100 kilos.

Canada of "unsurpassed fertility for the production of corn of the highest grade is 250 million acres, of which less than 2 per cent. is at present being cultivated." This report goes on to say that the wheat-lands in the district round Winnipeg would produce more than the entire world's consumption. Here we have the reason for the United States' offers to Canada—their population is increasing and their corn-lands are depreciating and diminishing. If Canada had joined the United States and had come under German influence, the dear loaf would be a reality—not the bogey raised by place-hunters to extort the poor man's vote. If Colonial Preference had been granted when it was first asked for, there would to-day have been millions of acres under cultivation which are now waste land; and although there is a theoretical possibility that in the interval the price of corn might temporarily have gone up, bread would have become progressively cheaper and cheaper still, as more and more land was brought under the plough.

The war has given the greatest opportunity to the people of the British Empire which has ever been open to the lot of human beings. If we take the opportunity and accept the hands of our kinsmen stretching across the seas, we shall not only be saving ourselves and them, but shall be preventing the vast Dominions in the New World from coming under the insidious system devised by the Germans, of peaceful penetration in order to bring the people under the influence of a military absolutism. If we do not grasp our opportunity with both hands, Canada must fall to America. The band that unites the Colonies to us will, as Cobden foresaw, be loosened; England will become the playground of cosmopolitan millionaires; while Ireland remains strangled by free imports. We are at the dawn of a new era. Democracy is to come into her own now or never. Seventy years ago Benjamin Disraeli used these words: "If there is to be a change, I for one hope the foundations of it may be deep; that instead of falling under the thraldom of capital—of those who, while they boast of their intelligence, are more proud of their wealth—we may find that novel

power in the invigorating energies of an educated and enfranchised people."*

The net result of half a century of free imports, in the interest of the commercial capitalist, is that, although we have an Empire, to quote Mr. Hughes, "in territory and material wealth surpassing anything of which the ancients dreamed, territory so vast, wealth so prodigious, that the brain is staggered by the attempt to conceive it," yet there is "in the midst of this vast Empire a poverty so hideous and so tragic that it surpasses the power of pen to describe."

Under this policy of so-called Free Trade we produce a larger proportion of our revenue from taxation of imports than do the so-called Protectionist nations. Our taxes are levied on articles of necessity, entering every home, instead of on luxuries used by the rich. Our import duties are on such articles as are not produced at home, and there is therefore no chance of any share of them being thrown on the foreigner. They are on articles of daily consumption in the homes of the poorest, so that an unfair burden of taxation is borne by the workers.

Recently a manifesto has been issued by a new organisation, the British Workers' National League. The objects of the League, amongst others, are:

"The Federation of the British Free States under a governing council, representing all portions of the Empire, for the direction of Imperial and foreign policy."

"The modification of our international commercial policy, with a view to the political and economic defence of the British States and their Allies."

"Educational reform on a national scale to secure greater technical efficiency, combined with more democratic general access to knowledge."

As Kipling reminds us, "when this war of the body is at an end, the real war begins." All that makes life worth living for is at stake. We are fighting a system which will still be dangerous because more subtle when disarmed. We

* Debate on Corn Laws. *Parliamentary Debates*, Feb. 20, 1846.

can have no friendship with a people who believe "morality is the philosophy of the weak." We owe this to humanity even if it hurts our pockets.

The first step to be taken—and it must be taken now or the Germans will get in the first blow—is to put a high duty on all goods of German origin, whether coming direct or through neutral countries. This must be done before peace is signed. We then require preferential trade within the Empire, and a tariff directed against our enemies while admitting the products from Allied countries on more favourable terms than those from neutral countries.

In 1907 Mr. Lloyd George said, "The Federation of the free Commonwealths is worth making some sacrifice for. One never knows when its strength may be essential to the great cause of human freedom, and that is priceless."

But do not let us persuade ourselves that we shall find salvation in a tariff, and a tariff alone. The State must take a more active part in the organisation of industry and agriculture. Science must take a greater part in our general education. At the present time our older universities, on account of compulsory Greek, are closed to all boys educated on the modern side of our public schools. *Compulsory* Greek must go.* The State must handsomely subsidise the teaching of science in university colleges and technical schools so as to attract the best brains. Our commercial consuls must be scientifically trained Englishmen. The decimal system must be adopted. The whole nation must work and undertake national service, "as it were almost cricket, as it were even your play."

Canals must be developed and nationalised. National power schemes must be devised: the coal be distilled at the pit's mouth, and power-gas be driven in high-pressure mains over the countryside, to be redistributed as electricity from subsidiary stations. At the pit's mouth the new coal-tar derivative works must be erected for the production of sulphate of ammonia, anilines, synthetic compounds, and high-explosives.

* The quickest way to effect this is by a short Act of Parliament.

The war has produced a fine spirit. The nation is sick to death of lawyer-politicians, whose linguistic gymnastics are no more use to the State than the antics of Charlie Chaplin.

Everyone is looking forward to a National Party with National leaders. Already certain men have been marked as men of action. Mr. Hughes and the group of Labour men who are forming the British Workers' National League are giving us a lead. Let us throw off the thraldom of cosmopolitan capitalism, and for the future seek the springs of power in the "invigorating energies of an educated and enfranchised people."

PRINTED BY
SPOTTISWOODE, BALLANTYNE AND CO. LTD.
LONDON, COLCHESTER AND ETON.

MSH 21241.

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